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Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-04 SP-02 NSC-05 NSCE-00
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/043 W
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R 140953Z APR 77
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC PRIORITY 0000

C O N F I D E N T I A L BUDAPEST 1190

LIMDIS

E.O. 11652: GDS
TAGS: PFOR, HU
SUBJECT: HARTMAN-NAGY DISCUSSIONS ON MFN

1. DURING RECENT VISIT OF ASSISTANT SECRETARY HARTMAN TO BUDAPEST, FOLLOWING DISCUSSION ON MFN ISSUE TOOK PLACE WITH DEPUTY FOREIGN MINISTER JANOS NAGY.

2. ACCORDING TO NAGY, HUNGARY IS WORRIED ABOUT THE LONG-TERM RELIABILITY OF THE U.S. AS A TRADING PARTNER EVEN MORE THAN ABOUT MFN. TRADE UNION PRESSURES AND GONGRESSIONAL ACTION CONTINUALLY THREATEN EXISTING TRADE ARRANGEMENTS, SO MUCH SO THAT HUNGARIAN EXPORTERS ARE AFRAID THAT, ONCE THEY ENTER INTO BUSINESS RELATIONSHIP WITH THE U.S., THE RULES OF THE GAME WILL CHANGE. THIS IS TOO RISKY FOR THE CONSTRUCTIVE DEVELOPMENT OF TRADE RELATIONS. THEN, OF COURSE, THERE IS THE TIME LIMITATION ON ANY COMMERCIAL AGREEMENT BETWEEN THE U.S. AND HUNGARY.

3. WITH RESPECT TO TRADE, SECRETARY HARTMAN SAID IT WOULD BE WORTHWHILE TO TALK TO ONE ANOTHER ABOUT CURRENT PROBLEMS TO SEE WHETHER THERE ARE MEANS TO DEAL WITH THEM. HE CALLED ATTENTION TO THE FREE TRADE PHILOSOPHY
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OF THE NEW ADMINISTRATION AND REFERRED BRIEFLY TO THE PRESIDENT'S RECENT DECISION ON THE IMPORTATION OF SHOES WHICH SHOULD PERMIT THE CONTINUED DEVELOPMENT OF HUNGARIAN SHOE EXPORTS TO THE U.S. NAGY ASKED SECRETARY HARTMAN WHAT HE MEANT BY HIS PROPOSAL THAT HUNGARY AND THE U.S. DISCUSS ECONOMIC MATTERS. THERE IS A HUNGARIAN PROPOSAL ON THE TABLE, HE SAID. THE U.S. SHOULD WITHDRAW

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ITS EXCEPTION UNDER ARTICLE 35 OF THE GATT. WHAT DOES
THE U.S. WISH TO DO NOW? NAGY CONTENDED THAT U.S. LAW
DOES NOT FORBID WITHDRAWING THE GATT RESERVATIONS.
HARTMAN SAID THAT THE WHOLE QUESTION OF MFN AND GATT
WOULD HAVE TO BE LOOKED INTO ON HIS RETURN TO WASHINGTON.
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